Distr.
GENERAL

E/C.10/1994/12
31 March 1994

Original: ENGLISH

COMMISSION ON TRANSNATIONAL CORPORATIONS
Twentieth session
2-11 May 1994
Item 8 of the provisional agenda*

IMPLEMENTATION OF THE PROGRAMME ON TRANSNATIONAL CORPORATIONS AND CONSIDERATION OF FUTURE ACTIVITIES OF THE COMMISSION

Report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its twelfth session

Held at the Palais des Nations, Geneva,
from 7 to 15 March 1994

---

* E/C.10/1994/12.

GE.94-51304 (E)

SUMMARY

At its twelfth session (7-15 March 1994), the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) discussed the following subjects: important global and national developments in the field of accounting and reporting; environmental disclosures in the annual reports of transnational corporations; accounting and valuation of new financial instruments; accounting for government grants; and accounting for leases. It found the report of the secretariat on the survey of environmental reporting practices to be particularly useful and decided that the thirteenth session should be a special session devoted to considering environmental accounting and reporting matters.

The Group considered the implications of the proposed General Agreement on Trade in Services on the accountancy profession. After discussing the matter, the Group adopted a draft resolution calling for action by the Commission on Transnational Corporations: "Strengthening the coordinating role of ISAR in the field of accounting and reporting".

The Group also continued its discussions started at its eleventh session on accountancy education and training. It found that the International Federation of Accountants was not responsive to its proposal on cooperation for the development of global accountancy qualifications and accreditation. As a result, the Group adopted a draft resolution calling for action by the Commission: "Establishment of a subgroup of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting". The proposed terms of reference of the subgroup include considering the feasibility of developing global standards for the qualification of accountants and auditors, including accounting technicians, which would be endorsed by the United Nations.

Finally, the Group re-adopted for action by the Commission the three draft resolutions that had been formulated at its eleventh session.

CONTENTS

Chapter		Paragraphs
I.	MATTERS CALLING FOR ACTION BY THE COMMISSION ON TRANSNATIONAL CORPORATIONS OR BROUGHT TO ITS ATTENTION	
	Draft resolutions recommended for adoption by the Commission	1
II.	CONSIDERATION OF SUBSTANTIVE AGENDA ITEMS	2 - 51
	A. General opening statements	2 - 22
	B. Informal discussions	23
	C. Action by the Group	24 - 26
	D. Conclusions	27 - 49
	E. Closing statements	50 - 51
III.	ORGANIZATION OF THE SESSION	52 - 67
	A. Opening and duration of the session	52 - 53
	B. Election of officers	54
	C. Membership and attendance	55 - 62
	D. Agenda and organization of work	63 - 64
	E. Provisional agenda for future sessions of the Group	65
	F. Adoption of the report of the Group on its twelfth session	66
	G. Documentation	67

Annexes

Annex	
I.	Provisional agenda for the thirteenth session of the Group
II.	Provisional agenda for the fourteenth session of the Group

III. List of documents before the Group at its twelfth session

Chapter I

MATTERS CALLING FOR ACTION BY THE COMMISSION ON TRANSNATIONAL CORPORATIONS OR BROUGHT TO ITS ATTENTION

Draft resolutions recommended for adoption by the Commission

1. The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting recommends to the Commission on Transnational Corporations the adoption of the following draft resolutions:

DRAFT RESOLUTION I*

Enlargement of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting

The Commission on Transnational Corporations,

Recalling Economic and Social Council resolutions 1979/44 of 11 May 1979, 1982/67 of 27 October 1982 and 1991/56 of 26 July 1991, and resolution 1988/1 adopted by the Commission on Transnational Corporations at its fourteenth session,

Recognizing the increasing importance of promoting the use of internationally accepted accounting principles,

Having considered the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its eleventh session,

Noting the growing number of countries interested in the work of the Group, particularly new States Members of the United Nations, many of them countries in transition,

Acting upon the recommendation of the Group at its eleventh session concerning the size and composition of its membership,

Requests the Economic and Social Council to increase the membership of the Group from 34 to 50, and to allocate the seats according to the following pattern:

13 members from African States;
10 members from Asian States;
6 members from Eastern European States;

---

* Previously submitted to the Commission at its nineteenth session.

7 members from Latin American and Caribbean States;
14 members from Western European and other States.

DRAFT RESOLUTION II*

Financial arrangements for the annual session of the Group

The Commission on Transnational Corporations,

Recognizing the increasing interest in the work of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting in the area of international accounting and reporting,

Concerned with the low incidence of expert representation from developing countries at the sessions of the Group, due in part to inadequate resources to finance the participation of such experts,

Convinced that the effective fulfilment of the mandate of the Group, in particular to serve as an international body for the consideration of issues of accounting and reporting in order to improve the availability and comparability of information disclosed by transnational corporations, requires the full and active participation of experts from all regions,

Noting that representatives need to have special expertise in the field of international accounting, in view of the complex and technical nature of the work of the Group,

Bearing in mind the arrangements on reimbursement of travel expenses that exist for certain United Nations bodies, pursuant to section XI of General Assembly resolution 43/217 of 21 December 1988,

Requests the General Assembly, in consultation with the Secretary-General, to consider granting financial assistance, within existing resources, to the least developed countries that are members of the Group, and, on an exceptional basis, to other developing countries that are members of the Group, at their request, to enable them to participate in the session of the Group.

DRAFT RESOLUTION III*

Structure and resources to fulfil the mandate of the Group

The Commission on Transnational Corporations,

Recalling Economic and Social Council resolutions 1979/44 of 11 May 1979, 1982/67 of 27 October 1982 and 1991/56 of 26 July 1991,

---

* Previously submitted to the Commission at its nineteenth session.

Having examined the report of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting on its eleventh session,

Taking note of the expanded mandate of the Group, in particular as it relates to technical cooperation, to meet the needs of developing countries and countries in transition in the development of the accounting profession and standard-setting,

Calls upon the Secretary-General to ensure that the appropriate structure and resources are made available within the United Nations Secretariat so that the Group can effectively carry out its mandate on international accounting and reporting.

DRAFT RESOLUTION IV

Strengthening the coordinating role of ISAR in the field of accounting and reporting

The Commission on Transnational Corporations,

Recalling that, in resolution A/Res/48/162 of 14 January 1994, the General Assembly inter alia took the view that the United Nations is a unique forum where, based on the principle of sovereign equality of all States and the universality of its membership, the community of nations can address all issues in an integrated manner,

Further recalling that, in the aforementioned resolution, the General Assembly also stated that there is an urgent need to discuss ways of enabling the specialized agencies to perform better their mandated functions on the basis of enhanced guidance from ECOSOC, and that efforts should be made to promote greater coordination and cooperation among the various components of the United Nations system,

Underlining the importance of the decision of the Secretary-General of the United Nations to consolidate the work on accounting and reporting within the framework of UNCTAD and the Cartagena Commitment,

Bearing in mind ISAR's mandate, as set out in ECOSOC resolution 1982/67,

Taking note of the considerable amount of work successfully accomplished by ISAR since its establishment in 1982, based upon the work of its predecessor bodies within the framework of the Commission on Transnational Corporations,

Welcoming the goals and intentions of GATS, as embodied in the Final Act of the Uruguay Round,

Noting, within the framework of GATS, the Decision concerning Professional Services and the recommendation to create a working party on professional

services with a view to, inter alia, making recommendations for the elaboration of multilateral disciplines in the accountancy sector,

1. Looks forward to close cooperation between ISAR and any body in the field of professional services established further to the Final Act of the Uruguay Round;

2. Emphasizes the importance of avoiding overlapping and duplication of activities;

3. Underlines the coordinating and pioneering role of ISAR in the field of accounting and reporting within the United Nations system as a whole.

DRAFT RESOLUTION V

Establishment of a subgroup of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting

The Commission on Transnational Corporations,

Concerned that the education gap in accounting is far more serious on a worldwide basis than has been recognized by the accounting profession so far,

Convinced that there is a need for global qualification standards which should be endorsed at an intergovernmental level in order to promote global acceptance and to invest them with the proper authority,

1. Decides to establish a subgroup of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting from among the Group's members;

2. Establishes the following terms of reference for the subgroup:

The subgroup shall investigate the feasibility of:

(a) Developing global qualification standards for accountants and auditors to be endorsed by the United Nations;

(b) Developing a professional accreditation system based on the global qualification standards. In so doing, it shall take into consideration different environments that exist in the world by involving such other national and regional bodies as considered necessary;

(c) Starting with the qualifications for accountants (including accounting technicians) as the suggested order in developing the global qualification standards. In doing so, it will liaise with the World Bank, regional development banks, IFAC and other international bodies, wherever appropriate to attain its objectives;

3. Requests the subgroup to report to the Intergovernmental Working Group of Experts at its thirteenth session, in 1995;

4. Requests that adequate financing should be provided for the working of the subgroup.

Chapter II

CONSIDERATION OF SUBSTANTIVE AGENDA ITEMS
(Agenda items 3-8 and 10)

A. General opening statements

2. The outgoing **Chairperson** of the eleventh session reminded the Group that, during the eleventh session, a number of resolutions which concerned the enhancement of accounting education and the suggested movement towards greater harmonization of professional accountancy had been formulated for consideration by the Commission on Transnational Corporations. However, during the year which had elapsed since the eleventh session, very little progress had been made in adopting and/or implementing the resolutions.

3. To maintain and advance the meaningful purpose and objectives for which the Group had been founded, he made four suggestions: the United States, as a major economic entity with considerable experience in the field of accountancy, was urged to become a member of the Group; greater funding should be provided by the United Nations to support the work of the Group; because other accountancy bodies had greater dominance in the formulation of accounting standards, the Group should take on a more meaningful role, in particular by endorsing international accounting standards formulated by other organizations; and the Group should have a clear mandate for its future activities.

4. The **Chairperson** of the twelfth session reaffirmed the need for the substantial involvement of experts from around the globe in the deliberations of the Group. Several topics which the Group had covered previously were very important, including disclosures on environmental protection matters, accounting for intangible assets, and accounting and valuation in privatization programmes. It was noted that, due to its global representation, the principles adopted by the Group were free of any bias based on ideological or political considerations.

5. However, the Group should not try to emulate other larger professional bodies which were concerned with developing international standards. The principles adopted by the Group should be original ideas and not simply reiterations of the work of its peers, with whom competition should be avoided.

6. Previous activities of the Group were recalled, in particular the Dakar Conference. However, attention was called to the fact that the recommendations of that Conference were still to be implemented.

7. The Chairman hoped that harmonization and improved accounting and reporting would improve the world economy and in turn help alleviate suffering.

8. The **Deputy to the Secretary-General of UNCTAD** said that the restructuring process that had occurred with regard to the economic activities of the United Nations had led to the transfer of the former Transnational Corporations and Management Division from New York to UNCTAD in Geneva. The Division was now called the Division on Transnational Corporations and Investment (DTCI), and the restructuring had been successfully completed.

9. Since it had arrived in UNCTAD, the Accounting Section, which serviced ISAR, had been working closely with some of the other divisions of UNCTAD, including, for example, the International Trading System Unit on matters relating to the General Agreement on Trade in Services, the Technical Co-operation Policy and Co-ordination Unit on technical assistance matters, and the Trainfortrade Central Team on accountancy development in Africa. It was expected that the Accounting Section would benefit from close contacts with other parts of the organization as well, and that other sections would benefit from the particular expertise that the Accounting Section could bring to bear on a variety of issues.

10. The primary mandate of ISAR was to promote the harmonization of accounting standards for the preparation of comparable and transparent information for all users of the financial statements of enterprises. This took on added importance in the light of the rapid expansion of trade and investment occurring in the world economy. Trade and investment, whether domestic or foreign, depended on reliable, consistent and understandable financial information. Thus, the work of ISAR had particular relevance to the current evolution of the world economy.

11. He noted that, in the last two years, the work of ISAR had been increasingly oriented toward the promotion of technical assistance and cooperation activities. DTCI was also continuing its cooperation activities with other international organizations.

12. The representative of **Sudan** noted that more effort was required to develop the accountancy profession in Africa and expressed the hope that there would be another conference in Africa on that matter. He also expressed the hope that the resolutions that had been adopted at the Group's previous session would be followed up. He suggested that both last year's Chairman and the current year's Chairman should work toward implementing the resolutions adopted previously, as well as those that would be adopted at this year's session. He requested that last year's Chairman continue to be involved in the work of the Group in the current and future years.

13. The representative of **Mexico** reported that her country, through its public accounting institute, had adopted the International Accounting Standards Committee's international standards, particularly with regard to reflecting the effects of inflation in financial statements of enterprises. Because of the severe inflation in Mexico in the past several years, inflation accounting had been used to allow comparability of financial statements over time. Inflation had now been reduced to about 10 per cent per year.

14. She agreed that accounting standards needed to be unified, but the economic problems experienced by member States were quite diverse and numerous. Thus, while there needed to be uniform standards for the basic issues, country-specific solutions were nevertheless necessary to reflect particular country features.

15. One way of presenting comparable figures for investors, whether they be local or foreign, was to adjust the statements to international standards or to the standards of other countries. But another method was to provide explanatory notes in addition to the basic financial statements.

16. Another problem relating to the inflation in Mexico concerned budgetary questions connected with the calculation of the tax base. Starting in 1987, Mexican laws had provided for the adjustment of the tax base so that it remained realistic rather than historical. The Government was trying to arrive at a structured system which would provide appropriate information to the public and the users of financial statements.

17. Lastly, she said that solving problems was part of a process, and it was necessary to identify problems and tackle them in a uniform way.

18. The representative of the **Russian Federation** described the processes which were taking place in his country and which were also being experienced by many countries. The Russian Federation was now moving from a centralized economic system towards a market economy in an increasingly intensive manner. This shift had required a restructuring of accounting systems. In 1992, the country had adopted a new plan of accounts which was more adapted to market conditions. The Russian Federation and the other CIS States were receiving assistance from international organizations and in particular from the United Nations in helping to make the transition. In the Russian Federation, there were plans to adopt a new law on accountancy which, with the assistance of the international community, had already been prepared, but because of the political events which had occurred in October 1993, the adoption of this law had been somewhat delayed.

19. The Coordinating Council on Accounting Methodology, which was responsible for coordinating work on accounting issues and problems for all CIS States and which was being sponsored by the United Nations and other international organizations, was a very active body. Four sessions had been held in the last two years, and there were plans to hold a meeting in Minsk in 1994. The work of the Coordinating Council must continue because the countries of the former USSR had very close economic ties. It was clear that those ties would not collapse, and therefore the principle of a unified accounting system for the CIS States was a sound one.

20. With regard to audits in the Russian Federation, President Yeltsin had signed a decree in this respect. The Russian Federation had also received considerable assistance from the international community in developing the auditing profession, and many auditing firms were now operating in the country.

It would now be necessary to develop auditing standards and accounting practices, including a code of ethics. It would also be very important to develop a programme to retrain persons in the new principles of accounting based on market economy practices, taking into consideration the conditions that existed in the Russian Federation at the present time.

21. The representative of **Lebanon** commented on the effects that 15 years of war and destruction had had on the economy of his country. Now that peace had been achieved and reconstruction was beginning, great amounts of capital would be needed for development. This in turn meant that an efficient capital market would be necessary for medium and long-term financial instruments to provide the financing of assets and to secure the working capital needed by enterprises. Financial reporting must use sound accounting principles which fairly presented the financial statements of enterprises. An acceptable level of auditing practice was also necessary to permit the sound and proper evaluation of enterprises based on performance, financial standing and profitability.

22. One of the important events which had occurred in 1993 was the convening of a conference in Beirut on international accounting and auditing standards. Several international professional organizations had participated in the conference. Also in 1993 the Higher Board for Accountancy (HBA) had been reactivated as a consultative body to the Ministry of Finance on accounting and tax issues. The Board was fully committed to the promotion of international accounting standards in the country. There was also a new law governing the auditing profession in Lebanon, and when implemented it would bring the profession up to internationally accepted standards of performance.

B. Informal discussions

23. After hearing the general opening statements, the Intergovernmental Working Group pursued its substantive discussions in informal meetings.

C. Action by the Group

24. At its closing plenary, on 15 March 1994, the Group approved draft resolutions E/C.10/AC.3/1994/L.3-7 and recommended them for adoption by the Commission on Transnational Corporations at its twentieth session (for the text of the draft resolutions, see chapter I above).

25. In this connection, it was agreed that the secretariat would circulate to the experts extracts from the Commission's report relating to the Commission's consideration of the draft resolutions.

26. The Group also adopted draft conclusions derived from its informal discussions (E/C.10/AC.3/1994/L.2) (for the text of the conclusions, see paras. 27-49 below).

D. Conclusions

Global developments

27. Representatives were familiar with the work of the International Accounting Standards Committee (IASC), and many countries had adopted its international standards as national standards. However, a specific country might adopt accounting standards that do not coincide fully with international standards to cover specific situations in that country, or there might be regional differences which in turn lead to exceptions to IASC guidelines. The reasons might be socio-economic, cultural, legal, or political. National practices where there are exceptions to IASC standards could be found in the following areas, for example:

- Inflation accounting and adjustment of prior-year results for the purpose of comparability;

- Foreign currency translation;

- Islamic banks in certain countries have replaced the concept of interest with the concept of profit;

- Transition from a centrally planned economy to either a market economy or a socialist market economy.

28. It could not be expected that one single international standard could cover the needs of every situation in such diverse conditions. However, the Group recognized that there must be some common ground or core elements which should be embodied within "global" standards, or minimum standards which would ensure that any user worldwide could achieve a high degree of understanding of financial statements regardless of their country of origin. Furthermore, it should not be expected that one country should require another country to conform in every detail to its own standards; there must be a reasonable degree of flexibility. If there was one set of "minimum requirements", with minimum adequate disclosures, a basic understanding of all financial statements could be achieved, and countries could accept the accounts of other countries as being in conformity with these requirements. Greater detail within the notes to financial statements would enable users to draw their own conclusions where there was a divergence from international standards, or the notes could even quantify these differences if they were material or significant.

29. Concern was expressed over the erosion of confidence in the profession by the public. This was due to a number of highly publicised major financial failures, which had questioned the role of the profession. The profession must ensure that the highest level of professional ethics and standards is practised.

30. The Daimler-Benz share listing on the New York Stock Exchange, as reported in the global paper (E/C.10/AC.3/1994/2) was debated. Some experts felt that this was only a bilateral negotiation. However, there was a consensus that the negotiated settlement was of such significance that it had important implications for the future. Some experts thought this matter should be researched more thoroughly by the Group.

National developments

31. The Working Group noted with concern that the response to the survey questionnaire that had been circulated to all member Governments in late July 1993 had been much poorer than in previous years. This situation was partially caused by the relocation of the former Transnational Corporations and Management Division from New York to Geneva in September 1993. In addition to sending future questionnaires to member States through their missions in Geneva, the Working Group agreed that the secretariat would identify as many appropriate individuals as possible to establish focal points in countries to whom questionnaires would be sent.

32. Several interventions were made by the experts about current developments in their respective countries, and this supplementary information will be included in International Accounting and Reporting Issues: 1994 Review.

Privatization

33. Some of the experts described aspects of the privatization programmes in their countries. A suggestion was made that it would be useful if the case studies written in 1992 were updated with current research based on subsequent events. Others felt that additional case studies might be useful and case studies could be solicited from experts in the Group, particularly from developing countries.

Leases

34. Several experts described the methods of accounting for leases in their countries. The primary issues related to the necessity to follow the legal form of transactions rather than account for them in accordance with their substance.

35. The Group recognized the ongoing disparity between the use of IASC's Accounting for Leases (IAS 17) and alternative practices which treat all lease payments as expenditures in the profit and loss account. Lease accounting is a good example of a situation whereby the definitions of assets and liabilities are not clear and are open to interpretation. Furthermore, differing taxation treatments between leases and the purchase of assets with debt or equity can considerably influence the means of acquiring the benefits from fixed assets.

36. Furthermore, it was noted that enterprises can arrange the legal form of transactions so that the intent of the guidelines is circumvented. Also, some countries are unable to adopt international standards because their legal systems

do not allow certain accounting treatments: for instance, the recording of a leased item as being an asset belonging to the lessee.

37. It was noted that some of these difficulties could be overcome by allowing a different approach to be used for group accounts from that used in individual company accounts. Under this approach, group accounts are drawn up by taking an economic approach and putting substance over form. Therefore, in group accounts a lease can be reflected in the balance sheet of the lessee. Furthermore, non-cancellable long-term lease obligations should be adequately disclosed in individual company accounts. On the other hand, due to specific legal requirements in some countries, it might be more appropriate to disclose the leasing arrangements in the notes.

Government grants

38. It was considered that the title and reference throughout the paper to "concessions" was misleading because in certain countries "concessions" means the right bestowed upon an enterprise to carry out a commercial activity without actually owning the underlying asset from which the income is generated.

39. It was suggested by some of the experts that the topic of accounting for government concessions should be added to the agenda for a future session.

40. On the topic of government grants, it was pointed out that there are two quite distinctive accounting treatments, both of which were equally acceptable. Adequate disclosure should allow comparability between the two accounting treatments. Therefore, it was agreed that the conclusions reached by the Group in a previous meeting should not be amended.

New financial instruments

41. The Group concurred that this is a very complex matter, and noted that formulae, when used in valuing financial instruments, could have a significant impact upon both profitability and the balance sheet when the parameters of the formulae are altered. It was suggested that there are other pricing models besides the Black-Scholes model. The paper had concentrated on this particular model because it had gained acceptance by the United States Financial Accounting Standards Board (FASB). The model is relatively widely accepted globally, but it is not endorsed as the only model for use.

Accounting education

42. In response to the resolution adopted at the eleventh session of ISAR on global qualification standards and professional accreditation for accountants and auditors which would be endorsed by the United Nations, and on a multilingual world dictionary of accountancy, the International Federation of Accountants (IFAC) had sent a written response to the Group. Additionally, representatives from that organization were present at the Group's twelfth session to expand upon the written response.

43. IFAC welcomed the opportunity to cooperate with ISAR, and in particular to have the representation of the Group at IFAC's forthcoming Task Force meeting, which will deal specifically with the needs of developing countries. IFAC felt that it does not have the requisite legal mandate to act as an international accreditation body, nor does it consider a multilingual global accounting dictionary to be a priority project because there are many bilingual dictionaries and at least one multilingual dictionary in existence. Further, to enhance the professional qualifications of accountants in many countries would require resources beyond the capabilities of IFAC.

44. The Group was disappointed with this response and concluded that an initiative for global accreditation by the United Nations should be investigated. In this regard, it was proposed that a sub-group be formed with a mandate to investigate the feasibility of global professional accreditation. During the drafting of the terms of reference, the sub-group was requested also to consider the question of education and accreditation of accounting technicians.

The General Agreement on Trade in Services (GATS)

45. The Group noted that a Working Party for Professional Services was proposed to be established under the General Agreement on Trade in Services (GATS). The Group recognized that ISAR represented ECOSOC on accounting and reporting matters as a unique forum where, based on the principle of sovereign equality of all States and the universality of its membership, the community of nations could address all issues in an integrated manner. The Group expected that this Working Party, in respect of its work on accounting matters, would establish close cooperation with ISAR so as to eliminate avoidable duplication.

Environmental disclosures

46. The Group appreciated the report of the secretariat, which excited a lively discussion. Some experts felt that in many countries environmental disclosures were given in different forms and for different purposes, and it became difficult to quantify environmental matters in pure financial terms. However, as industrial pollution is increasing and corporations are engaging in activities which cut across national boundaries, their environmental impact is becoming more and more important.

47. The Group felt that there must be continuing and more intensive discussions on the question of environmental disclosures and this matter should be the subject for discussion at the next session of ISAR.

48. It was felt that some of the findings in the report of the secretariat could be misleading, as some environmental information was not included in the annual report to shareholders even though it might be included in special purpose reports which were generally available.

Review of the 1988 United Nations publication, "Conclusions on Accounting and Reporting by Transnational Corporations"

49. The Group reviewed a draft of an updated document which summarized its conclusions on accounting and reporting standards. Five topics discussed since the publication of the original document were included in the revision. The Group agreed to the issuance of the revised document.

E. Closing statements

50. The representative of **Sudan** said that the future development of the accounting profession in Africa would require the assistance of the Group, and in that connection it would be important to encourage the participation in the Group's work of representatives of African countries and professional bodies.

51. The **Chairman** said that, through its activities, the Group had demonstrated its determination to respond positively to the expectations of the international community. The gap between those expectations and the existing situation could only be filled by the emergence of a worldwide profession bound together by common techniques and standards. It was to that end that the Group had repeated its request for an expansion of its membership with a view to including new members of the international community and observing the principle of universality.

Chapter III

ORGANIZATION OF THE SESSION

A. Opening and duration of the session

52. The Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting held its twelfth session at the Palais des Nations, Geneva, from 7 to 15 March 1994. The Group held 3 meetings and 8 informal meetings.

53. The session was opened by the Chairman of the eleventh session, Mr. T. Abu-Ghazaleh (Jordan).

B. Election of officers

54. At the 1st meeting, on 7 March 1994, the Group elected the following officers:

Chairman:	Mr. Abdoul Aziz Dieye (Senegal)
Vice-Chairmen:	Mrs. Maria Celia Monroy (Mexico)
	Mr. Alain Le Bars (France)
	Mr. Ravi Kathpalia (India)
	Mr. Youri Afanassiev (Russian Federation)
	Mr. Zein El Abdin Burai (Sudan)
Rapporteur:	Mr. Nurettin Canikli (Turkey)

C. Membership and attendance

55. In accordance with Economic and Social Council resolution 1982/67, the Group is composed of 34 members, elected on the principle of equitable geographical distribution.

56. The following States members of the Group were represented at the twelfth session: Brazil, Bulgaria, China, Cyprus, France, Gabon, Germany, Hungary, India, Italy, Kenya, Lebanon, Mexico, Morocco, Netherlands, Nigeria, Pakistan, Russian Federation, Senegal, Spain, Sudan, Swaziland, Sweden, Switzerland, Thailand, Tunisia, Turkey, United Kingdom of Great Britain and Northern Ireland.

57. The following States Members of the United Nations were represented by observers: Bangladesh, Bolivia, Canada, Cuba, Democratic People's Republic of Korea, Egypt, Greece, Ireland, Poland, Portugal, Republic of Korea, Slovakia, United Republic of Tanzania, Zambia.

58. The World Bank was represented at the session by an observer.

59. The African Accounting Council, the European Union and the League of Arab States were represented at the session by observers.

60. The following non-governmental organizations in consultative status with the Economic and Social Council were represented by observers:

Category I: International Chamber of Commerce

Roster: Arab Society of Certified Accountants

61. With the approval of the Group, the following organizations attended the session as observers: Federation of European Accountants, International Accounting Standards Committee, International Federation of Accountants, International Federation of French-speaking Accountants.

62. The following experts attended the session:

Mr. Talal Abu-Ghazaleh
Mr. George T. Friedlob
Mr. John M. Harris
Mr. Pulsri Kanokvichitra
Mr. Antoine N. Mattar
Mr. Prawit Ninsuvannakul

D. Agenda and organization of work

63. At its 1st meeting, on 7 March 1994, the Group adopted its provisional agenda (E/C.10/AC.3/1994/1), as orally amended, as follows:

1. Election of officers
2. Adoption of the agenda and other organizational matters
3. Report of important current developments at the global level
4. Report of important current developments at the national level
5. Environmental disclosures: international survey of corporate reporting practices
6. Accounting for new financial instruments
7. Accounting for government grants and concessions
8. Accounting for leases
9. Provisional agenda for the thirteenth session of the Group
10. Other business

11. Adoption of the report of the Group on its twelfth session.

64. Under agenda item 10 (Other business), the following substantive topics were discussed:

(a) Accounting, valuation and privatization;

(b) International qualifications and accreditation of accountants;

(c) General Agreement on Trade in Services (GATS);

(d) Revision of the United Nations publication "Conclusions on Accounting and Reporting by Transnational Corporations";

(e) Resolutions from the Group's eleventh session.

E. Provisional agendas for future sessions of the Group

65. At its closing plenary, on 15 March 1994, the Group adopted provisional agendas for its thirteenth and fourteenth sessions (E/C.10/AC.3/1994/L.8 and 9), as orally amended (see annexes I and II).

F. Adoption of the report of the Group on its twelfth session

66. At its closing plenary, on 15 March 1994, the Group adopted the draft report on its twelfth session (E/C/10/AC.3/1994/L.1), as orally amended, and authorized the Rapporteur to complete the report, as appropriate, in the light of the proceedings of the closing plenary.

G. Documentation

67. The documents before the Group at its twelfth session are listed in annex III to this report.

Annex I

PROVISIONAL AGENDA FOR THE THIRTEENTH SESSION OF THE GROUP

1. Election of officers

2. Adoption of the agenda and organization of work

3. Survey of environmental performance indicators: indicators currently in use; evaluation of the usefulness of these indicators; other indicators that might be useful

4. Creation of a link between environmental accounting at the national government level and at the enterprise accounting level (jointly with the United Nations Statistical Office)

5. Discussion of the case study on "Accounting for sustainable forestry management"

6. Report on the discussions and recommendations arising from the expert group meeting in 1993 to review the above case study

7. Disincentives to transnational corporations from adopting the concept of sustainable development, including the perceptions of chief executive officers as to the costs involved

8. Disclosures by transnational corporations of environmental matters at the national level in annual reports

9. Other business

   (a) Forum on responsibilities and liabilities of auditors and accountants;

   (b) Report on the proposed subgroups on global qualification standards for accountants (including accounting technicians) and on a professional accreditation system based on the global qualification standards

10. Provisional agenda for the fourteenth session of the Group

11. Adoption of the report of the Group on its thirteenth session.

Annex II

PROVISIONAL AGENDA FOR THE FOURTEENTH SESSION OF THE GROUP

1. Election of officers

2. Adoption of the agenda and organization of work

3. National surveys on reasons for non-compliance with international standards of accounting and reporting and recommendations, based on the surveys, to remedy deficiencies

4. Accounting and reporting by commercial banks, including disclosures on bank structures and related party disclosures, and on the appointment and rotation of auditors

5. Transfer pricing methods and current practices

6. Accounting for government concessions

7. Other business

   (a) Report on the proposed subgroups on global qualification standards for accountants (including accounting technicians) and on a professional accreditation system based on the global qualification standards;

   (b) Report on follow-up activities relating to topics considered at the Group's thirteenth session

8. Provisional agenda for the fifteenth session of the Group

9. Adoption of the report of the Working Group on its fourteenth session.

Annex III

LIST OF DOCUMENTS BEFORE THE GROUP AT ITS TWELFTH SESSION

Document symbol	Agenda item	Title or description
E/C.10/AC.3/1994/1	2	Provisional agenda
E/C.10/AC.3/1994/2 and Add.1	3	Report of the UNCTAD secretariat: Review of important current developments at the global level in the field of accounting and reporting by transnational corporations
E/C.10/AC.3/1994/3 and Add.1	4	Report of the UNCTAD secretariat: Review of important current developments at the national level in the field of accounting and reporting by transnational corporations
E/C.10/AC.3/1994/4	5	Report of the UNCTAD secretariat: Environmental disclosures: international survey of corporate reporting practices
E/C.10/AC.3/1994/5	6	Report of the UNCTAD secretariat: Accounting for new financial instruments
E/C.10/AC.3/1994/6	7	Report of the UNCTAD secretariat: Accounting for government grants and concessions
E/C.10/AC.3/1994/7	8	Report of the UNCTAD secretariat: Accounting for leases
E/C.10/AC.3/1994/L.1	11	Draft report
E/C.10/AC.3/1994/L.2		Draft conclusions
E/C.10/AC.3/1994/L.3	10	Strengthening the coordinating role of ISAR in the field of accounting and reporting: draft resolution
E/C/10/AC.3/1994/L.4	10	Establishment of a subgroup of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting: draft resolution
E/C.10/AC.3/1994/L.5	10	Enlargement of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting: draft resolution
E/C.10/AC.3/1994/L.6	10	Financial arrangements for the annual session of the Group: draft resolution

Document symbol	Agenda item	Title or description
E/C.10/AC.3/1994/L.7	10	Structure and resources to fulfil the mandate of the Group: draft resolution
E/C.10/AC.3/1994/L.8	9	Draft provisional agenda for the thirteenth session of the Group
E/C.10/AC.3/1994/L.9		Draft provisional agenda for the fourteenth session of the Group

---